

**University of Maryland Capital Region Health  
Introduce Neonatal Intensive Care Unit (Level III) Services  
at University of Maryland Capital Region Medical Center**

**Responses to HSCRC Additional Information Questions  
Dated February 13, 2023**

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**Table F**

- 1. Statistics as presented for the NICU have been advanced one year from those submitted for the Second Request for Project Change Laurel FMF (Laurel) for both historical volumes and projected volumes. Please reconcile and advise if the statistics and/or dollar value projections need to change for the NICU CON.**

**Applicant Response**

Table F in the Level III NICU submission inadvertently presented volumes advanced forward by one year. A corrected version of Table F is included in Exhibit 19, which was submitted with UM CRH's responses to the MHCC Additional Information Questions dated February 1, 2023.

**Table G**

- 2. Values as presented for 2021 and 2022 are equal to that submitted for Laurel, however projected values for 2023 thru 2027 differ from that submitted for Laurel. Please reconcile and advise if values need to change for the NICU CON.**

**Applicant Response**

The total University of Maryland Capital Region Health ("UM CRH") system financial projections presented in Table G of the Laurel FMF CON do not include the incremental costs associated with the Level III NICU. The total UM CRH system financial projections presented in Table G of the Level III NICU CON include the incremental costs and revenues associated with the Level III NICU.

- 3. Projected interest on current debt and projected current depreciation for the NICU are materially higher than that projected as submitted for Laurel. Please reconcile.**

**Applicant Response**

The interest included in the "interest on project debt" line in Table G for the Laurel FMF includes interest on debt used to fund the building of the FMF. Since this debt is not related to the Level III NICU, in Table G for the Level III NICU the debt incurred for Laurel is shifted to the "interest on current debt" line. There are no capital costs associated with the redesignation of the Level III NICU.

Total projected interest expense presented in Table G of the Level III NICU CON reconciles with total projected interest presented in Table G of the Laurel CON. The same logic

applies for depreciation, and total projected depreciation expense presented in Table G of the Level III NICU CON reconciles with total projected depreciation presented in Table G of the Laurel CON. These reconciliations are shown below in Table 14.

**Table 14  
Reconciliation of Interest and Depreciation  
FY2021- FY2027**

		FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Laurel	c. Interest on Current Debt	1,288	6,569	6,424	7,157	5,925	5,825	5,582
	d. Interest on Project Debt	-	-	-	2,940	2,896	2,849	2,801
	<b>Total Interest</b>	1,288	6,569	6,424	10,097	8,821	8,674	8,383
	e. Current Depreciation and Ammortization	16,546	33,185	36,418	39,023	41,228	38,254	34,661
	f. Project Depreciation and Ammortization	-	-	-	3,026	3,026	3,026	3,026
	<b>Total Depreciation</b>	16,546	33,185	36,418	42,049	44,254	41,280	37,687
NICU	c. Interest on Current Debt	1,288	6,569	6,424	10,097	8,821	8,674	8,383
	d. Interest on Project Debt	-	-	-	-	-	-	-
	<b>Total Interest</b>	1,288	6,569	6,424	10,097	8,821	8,674	8,383
	e. Current Depreciation and Ammortization	16,546	33,185	36,418	42,049	44,254	41,280	37,687
	f. Project Depreciation and Ammortization	-	-	-	-	-	-	-
	<b>Total Depreciation</b>	16,546	33,185	36,418	42,049	44,254	41,280	37,687
Variance	c. Interest on Current Debt	-	-	-	2,940	2,896	2,849	2,801
	d. Interest on Project Debt	-	-	-	(2,940)	(2,896)	(2,849)	(2,801)
	<b>Total Interest</b>	-	-	-	-	-	-	-
	e. Current Depreciation and Ammortization	-	-	-	3,026	3,026	3,026	3,026
	f. Project Depreciation and Ammortization	-	-	-	(3,026)	(3,026)	(3,026)	(3,026)
	<b>Total Depreciation</b>	-	-	-	-	-	-	-

**4. Projected top line revenues are to contract in 2026, 2027, and 2028. Such contraction is not discussed in the assumptions. What is the nature of the contraction?**

*Applicant Response*

The contractions in top line revenues are due to an assumption that shared savings adjustments will reduce gross revenue by -0.26% per year, as noted in the previously submitted assumptions table.

**5. Projected performance improvements for the NICU in 2024 thru 2027 are equal to that submitted for Laurel, however 2028 has been added for the NICU with \$45.3M in cumulative savings, nearly 30 percent of which are undefined. Please discuss the realizability of such savings.**

*Applicant Response*

Part of the transformation occurring at UM CRH is improving the financial performance of the organization. Over the past two years, leadership has implemented a number of performance improvement initiatives, including: productivity of clinical and ancillary staff, closing unregulated services that are not profitable or mission-focused, right-sizing non-bedside personnel, improving our net collections rate, reducing denials, fully leveraging our UMMS system supply chain contract pricing, and reducing our Quality-Based Reimbursement penalty. These initiatives are not merely aspirational, but are data driven and measured, woven

into our leadership's Annual Operating Plan, and are producing measurable results. The initiatives are also incorporated into the UM CRH five-year plan, which is reviewed, approved, and supported by UMMS, as the parent entity. Any undefined components are clarified during the annual budgeting process.

- 6. The average projected operating income for 2025 thru 2027 is a 1 percent increase with performance improvements and averages a -8.5 percent loss without performance improvements. The realizability of savings as presented is essential to the viability of UMCRH, regardless of the NICU. Please discuss the steps to achieve these realized savings.**

[Applicant Response](#)

Please see response to Question 5.

- 7. The 2022 audit report for University of Maryland Medical System Corporation (as included in the Easton CON Application) with consolidating balance sheet by division, by obligated group and by hospital reflects debt at either \$226.9M or \$213.1M. The assumptions reflect \$275.9M in debt. Please reconcile.**

[Applicant Response](#)

For purposes of simplicity, the Level III NICU CON utilized the values reported in the Laurel FMF project change request as the starting point for all CON Tables. The discrepancy in FY2022 operating income between the Laurel FMF submission and the audited financials exists because the FY2022 values submitted in connection with the Laurel FMF project are the FY2022 budgeted values for UM CRH.

- 8. Please reconcile the 2022 operating income as submitted (\$20,730,000) in audited financials per the consolidating schedule (\$59,550,000). Please extend this reconciliation to the other years presented.**

[Applicant Response](#)

See response to Question 7.

**Table H**

- 9. Top line revenues for 2024 and 2025 are presented to grow 3.5 percent and 2.9 percent over the previous year which is inconsistent with the corresponding assumptions for Table H. Please reconcile this discrepancy.**

[Applicant Response](#)

The total UM CRH system financial projections presented in Table H of the Laurel FMF project change request submission were used as the basis for developing Table H for the Level III NICU CON. The total UM CRH system financial projections presented in Table H of the Level III NICU CON are adjusted to include the incremental costs and revenues associated with the Level III NICU.

- 10. Operating income for 2025 thru 2028 averaged a -6 percent loss without performance improvements and averaged a 2.6 percent gain with performance improvements. Including the projected effects of inflation, the viability of UMCRH as presented, is dependent upon the realizability of savings inclusive of nearly 30 percent which is undefined. Please discuss this finding.

[Applicant Response](#)

See response to Question 5.

**Tables J & K**

- 11. Do these tables represent the incremental revenues and expenses of initiating the Level III NICU services or do they represent the total revenues and expenses of the Level II Special Care Nursery and Level III Neonatal Intensive Care Unit services?

[Applicant Response](#)

The projections in Tables J and K include the total revenues and expenses of the Level II Special Care Nursery and the Level III NICU.

**TABLE OF TABLES**

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